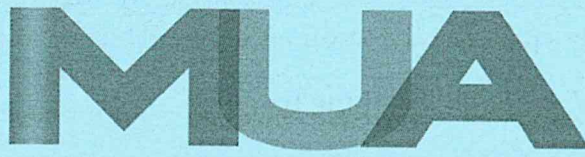


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML305: AUDITING

DATE: 8TH DEEMBER 2015

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **six (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question one carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Working papers provide the audit evidence. They can be categorized into:

- i. Auditors' prepared working papers.
- ii. Client's schedules used as working papers.
- iii. Audit programmes.

Working papers are then organized into files usually referred to as either current files or permanent files.

Required:

- a) What details should each working paper which is prepared by an auditor indicate?
(7 marks)
- b) What details should each client schedule used as a working paper indicate?
(8 marks)
- c) What details should an audit programme indicate?
(5 marks)
- d) With appropriate illustrations, differentiate the use and contents of a permanent file from a current file and write brief notes on the evidence that is provided by working papers.
(5 marks)

QUESTION TWO

You are an audit senior in a firm of practicing accountants and your manager has gone out for an urgent meeting with a partner. Mr. Charo, a manager with Charo and Company, a wholesale business has come to your office with a request that your firm becomes their auditors.

Required:

- a) Describe to Mr. Charo the legal, ethical and practical factors your firm would consider before accepting the appointment.
(5 marks)

- b) Explain to Mr. Charo the qualification and disqualification of an accounting firm under the provisions of the Companies Act to become auditors. (10 marks)

QUESTION THREE

- a) Write brief notes on the following auditing techniques:
- i. Inspection; (2 marks)
 - ii. Observation; (3 marks)
 - iii. Enquiry. (3 marks)
- b) Define the term audit programme. (2 marks)
- c) Write in point form an audit programme to cover salary and wages of a small size firm. (5 marks)

QUESTION FOUR

- a) List and briefly explain the general forms of qualifications available to the auditor in drafting his audit report, stating the circumstances in which each qualification is appropriate. Give an example of each circumstance. (5 marks)
- b) List the principal matters, which the auditors considers in forming an opinion on the financial statements. (4 marks)
- c) Outline the basic elements of an unqualified audit report. (6 marks)

QUESTION FIVE

The auditor's operational standard states, "The auditor should obtain relevant and reliable audit evidence sufficient to enable him to draw reasonable conclusions thereon".

Required:

- a) What factors would influence the judgment of the auditor with regard to sufficiency of audit evidence? (5 marks)

- b) What factors would influence the auditor to accept third party certificates as audit evidence? (7 marks)
- c) State the important factors that must be considered when assessing the reliability of audit evidence. (3 marks)

QUESTION SIX

- a) Write briefly explanatory notes on the following types of audit:
- i. Statutory audit; (2 marks)
 - ii. Private audit; (2 marks)
 - iii. Balance sheet audit; (2 marks)
 - iv. Management audit; (2 marks)
- b) Outline the statutory provisions with regard to duties of external auditors. (7 marks)